Annex

Financial matters

Recommendation 1 (Para. 9 (a))

UNOPS should report to the Executive Board on progress in finalizing its new, dedicated Financial Rules and indicate a timetable for presentation of the Rules to the Executive Board for approval (see para. 39).

As noted in the comments contained in document DP/1997/27, UNDP Financial Rules continue to apply to UNOPS mutatis mutandis; this arrangement remains satisfactory and no problems have been encountered. In 1997 UNOPS commenced a complete review of its Financial Regulations and Rules. UNDP is also reviewing and revising its Financial Regulations and Rules and associated procedures. In view of the linkage between the Financial Regulations and Rules of UNDP and those of UNOPS, UNOPS intends to defer finalization of its revision until UNDP has completed its work. During this interim period, UNOPS will continue to use its own Financial Regulations and the UNDP Financial Rules applied mutatis mutandis. When the UNDP Financial Regulations and Rules have been approved, UNOPS will accordingly move expeditiously to propose to the Executive Board any necessary modifications of its own Financial Regulations and Rules.

Recommendation 2 (Para. 9 (b))

UNOPS should issue further guidance to certifying officers to clarify that only those purchase orders or contracts signed and issued within the financial period represent valid obligations for that period (see para. 41).

This matter has been clarified and appropriate guidance is now included within the UNOPS Handbook.

Recommendation 3 (Para. 9 (c))

UNOPS should closely monitor actual expenditures against budget to avoid the high incidence of overexpenditure (see para. 43).

The monitoring of actual project expenditures against budget to manage the project funds efficiently and avoid overexpenditure is an ongoing and regular part of UNOPS financial management practice.

Business planning and development

Recommendation 3 (Para. 10 (a))

UNOPS should set realistic objectives in its business plans and consider the costs and benefits of undertaking the planned tasks (see para. 56).

As reported previously, the 1996 UNOPS Business Plan shifted its focus to objectives rather than tasks. This shift was continued in section 5 of the 1997 Business Plan, in which five work areas were prioritized. For each work area, expected benefits, measures of success, required tasks, and cost considerations were stated. UNOPS considers that each Business Plan is improving in this key area.

Recommendation 4 (Para. 10 (b))

UNOPS should assess the potential impact that the shifting composition of its portfolio could have on its financial position and set financial targets which reflect its differential income rates (see para. 59).

UNOPS began doing this in the 1996 Business Plan and refined the process in the 1997 Business Plan, which was developed on the basis of individual operations unit plans, each explicitly reflecting the nature of its portfolio. That process is continuing, with further refinements, in the development of the 1998 Business Plan.

Recommendation 5 (Para. 10 (c))

In future business plans, UNOPS should prioritize tasks to ensure that they are implemented according to their respective importance to the organization (see para. 61).

This is now done as a normal part of the Business Plan, as may be noted in both the 1996 and 1997 Business Plans.

Recommendation 6 (Para. 10 (d))

UNOPS should establish appropriate measures of success and benchmarks of current performance to assess the impact of its business plans on quality of service and client relations (see para. 67).

Measures of success have been routinely incorporated in the Business Plan since 1996. A client satisfaction survey that follows up on the baseline study performed in late 1994 is currently under way. The results of this follow-up survey are being taken into consideration in the development of the 1998 Business Plan and will provide a quantitative measure of perceived performance change in the three years since UNOPS was established.

Recommendation 7 (Para. 10 (e))

UNOPS should prepare an evaluation strategy (see para. 70).

UNOPS completed the follow-on evaluation of its Asia Office, which was positive. Beginning with the report submitted at the annual session of the Executive Board in 1997 (DP/1997/19), the Executive Director of UNOPS began to synchronize his annual report on the activities of UNOPS with the targets and objectives specified in the Business Plans. This establishes a direct, comprehensive link of accountability between the actions anticipated in the Business Plans and the actual accomplishments. The same approach will be used in 1998.

Appointment and management of consultancy services

Recommendation 8 (Para. 11 (a))

UNOPS should regularly review the extent of repeat recruitment to ensure that it exercises sufficient choice in the selection of individual consultants and consultancy firms (see para. 84).

Repeat recruitment of consulting firms continues to be monitored by the Procurement Review Advisory Committee. The previously separate administrative and project personnel functions have been consolidated in the Human Resources Management Section of the Finance, Control and Administration Division. This section uses database records for periodic review of the recruitment of experts. In addition, the new Roster Unit was established in the Office of the Director of Operations in July 1997. Concurrent with a comprehensive review of the entire UNOPS information systems portfolio, UNOPS has developed system specifications that will, as systems evolve, provide better functionality for managing recruitments and consultant selections.

Recommendation 9 (Para. 11 (b))

UNOPS should undertake periodic analyses to identify the specialisms most in demand and any shortfalls in supply, with a view to registering individuals and firms with the required skills in advance of possible assignments (see para. 88).

While there are still difficulties in this area that stem from the roster sharing with UNDP and UNFPA, UNOPS has acted vigorously in those areas in which it identified a need for a greater pool of resources from which to draw. In particular, UNOPS assigned one of its procurement specialists to a four-month market intelligence analysis, including an advertising campaign, aimed at identifying potential suppliers of goods and services for the highly specialized Montreal Protocol projects implemented by UNOPS. A similar analysis is soon to be undertaken in the area of mine-action activities. Finally, the establishment of the decentralized offices in Copenhagen, Geneva, and Kuala Lumpur has also helped to broaden access to potential goods and services suppliers.

Recommendation 10 (Para. 11 (c))

UNOPS should screen and, where appropriate, register on the consultants roster those candidates whose details are not yet on the roster; ensure that all staff are fully trained in the use of the roster; and investigate the scope for making the roster available to the UNOPS office in Kuala Lumpur (see para. 102).

UNOPS continues to accept and evaluate the credentials of both firms and individual consultants and to match identified skills with project needs. Pending selection of an appropriate technical system for rostering needs, UNOPS has suspended adding newly identified consultants to the RESTRAC resume database. In the meantime, UNOPS continues to train staff on the use of the RESTRAC system and to make it available to all UNOPS outposts.

Recommendation 11 (Para. 11 (d))

UNOPS should undertake a review of current market rates for consultancy services, to be used as a benchmark for setting fees, and issue new guidelines to ensure that staff determine fees on a consistent and transparent basis (see para. 103).

UNOPS is in the process of finalizing comprehensive revised guidelines for the hiring of individual consultants. They are intended to address UNOPS requirements better and will include detailed procedures for the hiring of consultants and the negotiation of fees. UNOPS also plans to implement monitoring mechanisms in 1998 that will ensure that fees paid are in conformity with market rates.

Price setting and cost control

Recommendation 12 (Para. 12 (a))

UNOPS should develop a workload assessment and costing system (see para. 119).

In document DP/1997/27, UNOPS reported that it expected to complete this task in the second quarter of 1997. Experience is showing that workload and costing assessments for an organization that responds to changing client demand is an ongoing task. Since the previous report, UNOPS has continued to use and update its existing workload assessment system while it has at the same time, pursuant to the objectives of the 1997 Business Plan, improved its modalities for apportioning common costs and has implemented administrative cost centres. These measures, as well as improving the reporting systems, have contributed to improvements that are reflected in the UNOPS financial performance. Continued updating and refinement of these procedures will be targeted in the 1998 Business Plan.

Recommendation 13 (Para. 12 (b))

UNOPS should revise the bases for calculating Management Service Agreement (MSA) fees to reflect current costs more accurately (see para. 123).

Overall, UNOPS concludes that its existing mechanisms for MSA fee calculation have performed adequately. The establishment of cost centres and improved measures of common-cost apportioning are indicating that the Division for Procurement Projects, which is the primary implementer of MSA projects, is recovering its operational costs. As MSAs are now representing a smaller proportion of the UNOPS portfolio than they had been previously, UNOPS considers that the combination of ongoing monitoring and better cost apportionment mechanisms are at this time sufficient.

Recommendation 14 (Para. 12 (c))

UNOPS should establish a formal agreement with UNDP that country offices provide UNOPS with a breakdown of their estimated costs in support of Management Service Agreement activities in the field (see para. 128).

Significant progress has been recorded in this area. An umbrella agreement with UNDP was signed in April 1997. While there are still some details relating to common cost-sharing under discussion, the agreement provides a framework and legitimacy for compensating country offices fairly for their costs in support of MSAs. This is being done on a case-by-case basis, taking into account the unique support requirements of each MSA.

Recommendation 15 (Para. 12 (d))

UNOPS should assess and document, as part of the project acceptance process, whether the costs of delivering a project are likely to be met by the charges or fees set by or agreed with the relevant clients (see para. 131).

This is now being done and recorded through the project acceptance process.

Recommendation 16 (Para. 12 (e))

UNOPS should assess the levels of annual surpluses and accumulated unspent resources to determine levels which are reasonable and consistent within its business objectives (see para. 139).

UNOPS has performed an analysis of appropriate levels of operational reserves and submitted a report on this issue to the Executive Board (DP/1997/26), the recommendations of which were approved in decision 97/21 of 18 September 1997. The assessment of appropriate levels of operational reserves is a regular and recurrent activity undertaken by UNOPS.